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Management
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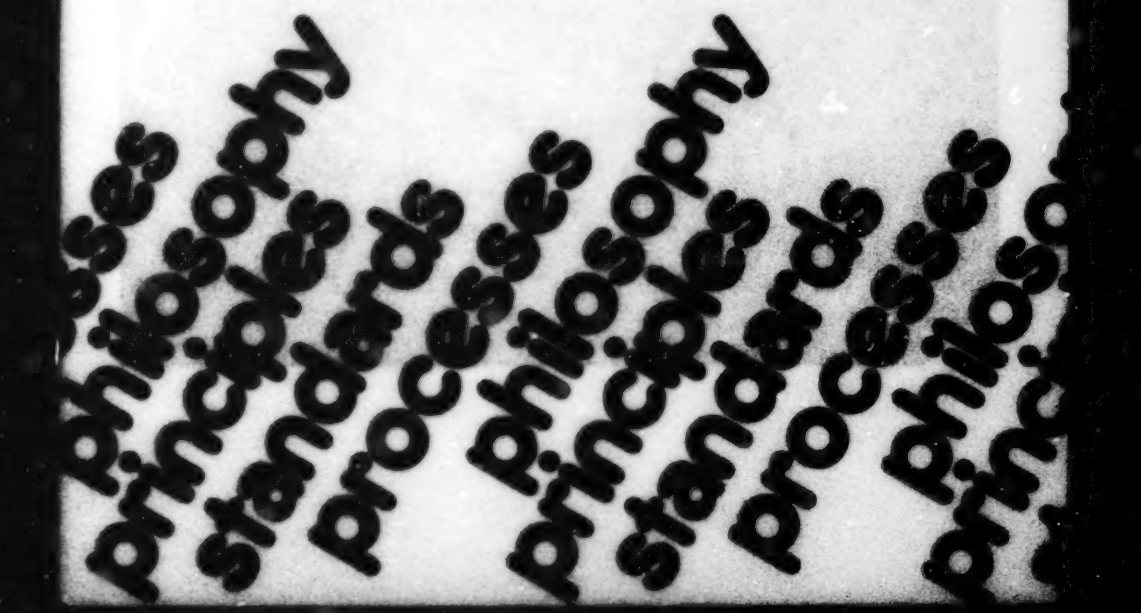
OPS Management
Series

Reorganizing



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The Management Cycle

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Preface

In March 1980, Cabinet approved the establishment of the Management Standards Project within the Management Board Secretariat. The project's mandate, to lay the groundwork for further improving management in government, includes developing a publication series to improve the quality of management processes.

The Ontario's Principles and Standards of Management series is organized within the framework of the Management Cycle (shown on the inside front cover) and its five sequential management functions. Reorganization forms part of the "Organize and Staff" function in the cycle. This booklet provides guidelines on when and how to reorganize and how to choose the structure that will optimize a ministry's performance.

These guidelines were developed by the Management Policy Division of the Secretariat in consultation with a wide variety of ministry staff. The Management Standards Project gratefully acknowledges the contribution of all those involved.

February 1983

1. Introduction

Purpose

The organization of a ministry is represented by a structure — a chart showing the various positions, units and reporting relationships. But effective organization is more than structure. It is also people interacting, communicating, and participating in processes which allow the ministry to achieve its objectives and perform efficiently.

Organizing effectively provides a clear definition of roles, responsibilities and relationships; encourages a sense of belonging and a motivation to work cooperatively towards a common corporate goal; and affords an opportunity to understand how each individual's efforts contribute to the work of the ministry.

Organizing is an important step in the management cycle which involves the assembling and assigning of people and jobs. Inappropriately carrying out the "Organize and Staff" step of the cycle could result in a lasting inability to plan, control, and deliver service in the most effective manner possible.

Reorganizing is a management strategy for improving a ministry's ability to fulfill its mandate and goals, and to enhance performance. It is being used increasingly to enable ministries to be responsive to the demands of a changing and challenging operating environment.

This booklet provides guidelines for ministry-wide reorganizations, and is therefore directed primarily to senior managers. Three aspects of reorganization are discussed:

- What factors should be taken into account in making the decision to reorganize?
- What design criteria should be used in selecting a new structure, and how should they be applied?
- How should the reorganization be implemented?

Much of the literature on organizing deals primarily with the second aspect, which is discussed in chapter 3. However, the success of a reorganization depends equally on the other two aspects. Reorganizations are usually less than successful if they are either inappropriately employed as a solution to a problem, or if they are not effectively implemented. Chapter 4, on implementing, pays particular attention to the human and interactive aspects of a reorganization.

Reorganization on a large scale is a major undertaking and should be used to meet enduring and serious issues or challenges, not minor ones. Less critical concerns can be addressed through other management strategies such as: changes to administrative procedures, reassignment of staff, or the establishment of a task force to deal with a particular problem.

What is Reorganization?

In practical terms, reorganizing involves re-arranging people, organizational units, communications and reporting in relation to the organization's goals, objectives, activities and tasks. The test of success for a reorganization is the extent to which it assists the ministry in more effectively achieving goals, in responding to policy direction, in dealing with key issues, and in better serving client groups.

Choosing the most appropriate structure involves a number of decisions. The most basic is the grouping or regrouping of staff around tasks, functions, and activities, into a hierarchy of branches and divisions. Much has been written about this in basic organizational theory. It is assumed that staffing, training, planning, and budgeting decisions can all take place after an organization structure has been decided on. However, since reorganizing in the public sector generally involves the redeployment of existing staff and resources, the factors to be considered and the decisions to be made are much more complex. Decisions about reorganizing should therefore take into account: existing resources, including staff, and their management styles and skills; and the mechanisms for communication, coordination, and decision-making.

Linkages to Other Ministry Management Processes

In addition to altering the structure of the ministry, reoganizing usually affects other factors such as coordinating mechanisms, communication systems, management processes, and the use of new technology. In some cases, structural adjustment will necessitate changes to these other mechanisms and practices.

For example, a reorganization which separates staff involved in policy development from those in program delivery, may require some adjustment to the policy development, program design and implementation processes to ensure that appropriate consultation and communication takes place between the two groups.

Just as reorganizing may necessitate a change in management processes, certain processes may identify a need to modify organizational structures. Changes to ministry objectives and policy directions, arising out of strategic and priority planning and policy development, may require organizational changes in order for the new thrusts to be effectively implemented.

The organizational structure "breaks down" the ministry mandate into manageable units, each with a specific task or set of activities. This "division of labour" and the reporting relationships inherent in the structure, comprise a hierarchy for the development of operational plans, budgets, and for financial and results reporting. The organization structure provides a framework within which activities and responsibilities can be clearly assigned and understood. The reporting relationships also determine "who appraises whom" in the performance management process.

Human resources planning provides information on the availability of qualified staff for key positions which may influence organization decisions. In turn, the reorganization decisions affect the human resources planning process by identifying the "demand" side of the equation.

In summary, reorganizing is much more than structure and rearranging the boxes on the organization chart. If reorganizing is executed skillfully, the Ministry's objectives, policies and processes are considered in combination with human resources to arrive at an effective structure which provides for motivation, communication, and achievement.

2. The Decision to Reorganize

When Should Reorganization Be Considered?

A variety of circumstances may lead ministry senior managers to consider reorganizing. Factors may include: emphasizing a new policy direction, adapting the organization structure to newly-launched programs, or a lack of congruence between current structure and service delivery needs.

Service Delivery Issues

The need to implement new services or improve current services may prompt reorganizing. For example:

- New approved services cut across two divisions but where to assign them is not obvious.
- Unclear lines of accountability or responsibility between ministries or divisions, or between head office and field operations result in confusion or inconsistent services to clients.
- Tangled lines of communication or maze-like approval processes interfere with efficient delivery of services.
- Government has issued guidelines for future service-wide initiatives that have been assigned priority but the ministry is set up in such a way that to respond except in an ad hoc way would be difficult.

Change of Key Personnel

Past or anticipated personnel changes may have an impact on reorganization. For example:

- A key executive or a number of senior managers will retire soon. Present candidates may not be ready to take over the position(s) and it is unlikely that successors can be developed quickly.
- A number of decisions were made in the past to accommodate the respective management styles of particular individuals. Some of these individuals may have left or intend to leave the ministry in the near future.

External Developments and Opportunities

Developments in the external environment may trigger a re-examination of the ministry's organization structure. For example:

- Emerging demographic changes, client trends and general economic

and social conditions indicate that new services will be needed and some existing ones will decline. A change in the ministry's role and goals may occur as a result, with attendant changes to its organization structure.
- The needs, expectations, composition and inter-relationships of the ministry's client groups have changed, or will change significantly in the near future. The ministry must remain sensitive and responsive to these clients' requirements.
- Applications of technological advancements will afford the ministry the opportunity to increase its operating efficiency and perhaps change the role of processing operations.
- Interdependence among ministry programs is increasing. Closer attention needs to be given to interministerial, intergovernmental, and private-public relationships.

Weaknesses in Information Flow and Management

Senior managers may identify some internal problems that point to the need to consider reorganizing. For example:

- The organization structure is unsuited to delivering or improving client services;
- Organization structure discourages cooperation and communication among divisional or branch managers, causing corporate objectives and achievements to suffer;
- Managers or Ministers are unable to respond or make decisions quickly because requests for necessary information pass through too many layers of management;
- Policy development is fragmented. Information for policy making is not transmitted to the appropriate levels because of lack of coordination among senior managers;
- Issues become crises before the process of resolution begins;
- Roles and responsibilities are unclear between central, regional and local offices.
- There is considerable opportunity to improve the operating efficiency of divisions or branches.

Assessing the Need for Change

Factors such as those described above signal the need for change in the way the ministry is operating. Depending upon the intensity and priority of these conditions and the suitability of other solutions, senior managers may decide to reorganize.

Before such a commitment is made, however, senior managers should review their decision in light of the following questions:

- Is the problem enduring and continuing or is it a short term issue that should be dealt with in the context of existing structures?
- Is it more appropriate to solve the problem through dealing with a personnel issue?
- Can the problem be solved by less dramatic action, such as reassigning or training personnel or referring the matter to an internal task force for resolution?
- Is the problem acute? Is it central to the achievement of the ministry's goals and the resolution of key issues?
- Is there opportunity? Does the ministry have sufficient personnel with the requisite skills to initiate and implement a reorganization without incurring excessive training or staffing expense?
- Do the opportunities that can be realized through reorganizing outweigh the need for the stability

that retaining the present structure would provide?

In answering these questions, senior managers will decide whether reorganization is necessary. They will have considered key problems and opportunities affecting the ministry's performance; selected those problems and opportunities that can be best addressed through a reorganization; and, finally, determined whether a remedy as strong as reorganization is necessary. If their decision is to proceed, they must next decide how to manage the reorganization process.

Managing the Reorganization Process

In selecting the most appropriate way to manage the reorganization process, senior managers should keep in mind the following requirements:

- Reorganizations are projects and, as such, should be planned and managed in accordance with commonly accepted project management techniques, including: terms of reference, milestones, regular progress reviews, and possibly pilot tests.
- The reorganization should be kept simple, commensurate with the degree of change contemplated.
- An Implementation Manager should be designated to ensure that reorganization decisions are implemented in a systematic and comprehensive fashion.
- Senior managers should be included in the reorganization, and their individual roles should be explicitly determined.
- Program managers should assume as much responsibility as possible for working out problems and making decisions in the implementation stage.
- The ministry should acknowledge the participation of specific individuals in the reorganization effort, as well as their attempts to change and improve their own skills and work methods to suit the requirements of the new structure.

In addition to these key factors, a number of choices are available to individual ministries for managing a reorganization process. Included among these choices are the use of task forces, committees and external consultants.

Depending on the style of the Minister and Deputy Minister, and the desired approach to reorganizing, the process may be "top down" or participatory. A participatory approach involving a series of committees or task forces often develops ownership and support for the final decision by involving many of the people affected. However, it can be time-consuming, is sometimes difficult to achieve consensus, and conflicts can develop into a contest of competing vested interests.

An independent study and recommendations by outside consultants (where the ministry feels it does not have sufficient internal expertise, or where an independent view is sought) or by a small group of senior ministry executives may result in a more objective and effective structure. The reasons for the changes, however, may not be as widely understood or accepted if those affected have not been involved in studying the issues.

When a plan for managing the process has been agreed upon, senior managers and other participants turn to the task of considering options for an organization design.

3. Organization Design

As stated earlier, one of the basic steps in reorganizing is the grouping of responsibilities into organizational units. As much of the literature on organization design points out, there are many traditional methods of structuring these units into an organizational whole, none of which is "the right way". Varying circumstances such as those referred to in chapter 2, and the application of design criteria towards the goal of the reorganization will help senior managers decide which type of structure is required.

The three most common means of organizing are:

- by function (e.g. policy and planning, operations, administration, etc.); or
- by program or "product" (e.g. roads, railway and air, public transit, etc.); or
- by client group (e.g. adults, children, handicapped, welfare recipients, etc.)

The complexity of government operations does not enable any one single type of organization structure to meet every ministry's needs. In addition, a variety of other means of organizing can be employed to meet specific needs, for example:

- by geography (e.g. Ministry of Northern Affairs; or highly decentralized ministries which combine all functions and services under one regional roof, etc.); or
- by issue (e.g. Ministry of Energy); or
- by type of client need (e.g. mentally retarded, psychiatric, acute care, chronic care, etc.)

Each type of structure has advantages and disadvantages which need to be analyzed in the context of each reorganizational effort. For example, a ministry may want to organize by function to increase efficiency, reduce the number of executive positions and rationalize the span of control. While this could potentially mean losing direct contact with client groups, this need may be met through significant decentralization, allowing service delivery decisions to be made by the staff who are closest to the people being served. In fact, this type of structure is particularly effective in reinforcing the delegation of decision-making to local offices. Head office is viewed more as a policy maker rather than as a problem solver for the specific operational problems of a client group, association, or transfer payment agency.

The selection of a client group structure

is usually made if the needs and services of each client group are significantly different or if there is an urgent requirement to address current policy or program issues. The focus that a single organizational unit provides can result in a more rapid resolution of problems and issues. Communication with interest groups is improved and participation or consultation in the policy and program design processes is facilitated. However, this clarity in focus has its drawbacks. For example, if the ministry has a field structure with delegated authority to make operational decisions, there is occasionally dissatisfaction on the part of interest groups with field decisions. The existence of the dedicated head office staff provides the interest groups with an opportunity to appeal specific decisions as they impact on their clients. This situation may have the potential to undermine the authority of local decision-makers.

The type of structure or combination of types to be employed depends significantly on consideration of organization design criteria such as the following.

Criteria for Organization Design

The application of these criteria to each reorganizational situation should demonstrate the advantages and disadvantages of each type of structure.

- *High Priority Policy Thrusts*
  New, high priority policy thrusts can be emphasized by creating organizational changes which make them more visible. This increased visibility may help advertise the availability of a new service to the public or encourage a change of thinking or orientation among staff. It may require organizing by program, by client group, or by issue to allow the ministry to respond quickly to change without being constrained by other organizational objectives and priorities.

- *Predictability*
  How predictable are the needs for service delivery? If specific client groups are identified whose needs for services can be forecast long into the future, this may indicate that a "client group" organization is feasible and desirable. For example, demographic changes leading to a long-term increase in the proportion of seniors in the total population, may cause ministries to reorganize, creating a unit which delivers services to seniors. In contrast, for example, uncertain economic or social trends may lead to rapid changes in the composition of disadvantaged groups in society. Ministries may need to retain flexibility to be responsive to these changes through being organized by function or region, rather than by client group.

- *Diversity of Client Groups*
  If a ministry has a single client group, a program or functional organization may be appropriate. However, if a wide variety of clients are being served through a number of different programs, it may be desirable to organize in such a way that client groups can identify clearly with a particular organizational unit in the structure.

- *Complexity of Tasks and Activities*
  The more routine the tasks and activities, the less need there is to separate them into different divisions and branches, because they can be managed in a predictable, uniform way. For example, a number of clerical tasks for different client groups could be combined within a Support Service Division rather than

leave them with the "parent" divisions and branches.

- *Interdependence/Coordination of Activities and Tasks*
  The greater the interdependence of activities, tasks and functions, the greater the need to combine them into one branch or division for coordination purposes. Interdependence of activities in two or more separate units requires the use of other less formal coordinating mechanisms (e.g. committees) which may not be as effective.

- *Economies of Scale*
  A high priority on optimizing the use of resources usually means combining activities and programs to gain economies deriving from a broader scale of operations. This usually leads to an organization along functional lines. For example, an organization which separates staff groups into highly specialized work units does not always retain the flexibility to have staff assist each other as the demand for particular services varies from "slack" to "peak". Combining units into a functional or geographic organization provides less specialization but allows for greater flexibility in resource utilization.

- *Span of Control*
  If the span of control is unwieldy (i.e. too many managers reporting to one senior manager), units should be combined in order to reduce the breadth of reporting relationships. In some cases, more than two or three organizational units reporting to one senior manager might be considered unwieldy. In other cases, as many as nine or ten might be appropriate.

- *Skill Specialization*
  The greater the need to develop or maintain very specialized skills or highly technical knowledge, the greater the need to have separate groupings of units.

- *Staff Versus Line Functions*
  Ministries with a predominantly direct service mandate organize using "line" or operational structures with "staff" groups to support them. Depending on the type of structure required, staff groups may be closely aligned with local, regional or divisional offices, or may be highly centralized to serve all divisions and locations from one unit.

  In policy, advisory, or coordinating ministries, many of the functions carried out are "staff" functions, which may require organizing by client group, by program or by issue.

- *Autonomy Versus Integration*
  Should policy development, regulatory and service delivery functions be organized within the traditional "departmental" structure, or should they be carried out through an agency, board, or commission? While in general terms, the government wants to limit a proliferation of these types of organization structures, there are times when one of them may be appropriate.

  Agencies, boards and commissions are often more appropriate when some degree of independence of decision-making is required (e.g. Ontario Energy Board), or when autonomy is required in relation to government administrative procedures because of a unique mandate or the "business" nature of an operation (e.g. Ontario Development Corporation).

Applying the Design Criteria

In applying the design criteria to decide on an organization structure, the ministry may choose one of two approaches:

1. To select a single organization structure (i.e. by function, by client group or by program) which meets the most important needs of the ministry.

   This may be accomplished by ranking the ministry's problems, opportunities and needs and selecting a traditional structure which meets those of the highest priority. While not all of the needs may be addressed in terms of organizational structure, many may be dealt with through other integrating devices. This approach generally creates an easily understood, economical, and consistent structure.

2. To combine a number of organizational types into a "composite" structure.

   For example, a ministry may organize at the most senior level by function (Operations, Administration, Policy and Planning, etc.), but below that level might organize by client group, program, or geography. Depending on the needs to be addressed, the Operations group might be organized into programs (based on "product"), by client group, or directly into a regionalized structure.

   Alternatively, the ministry may decide on a matrix approach which combines one predominant organizational type coupled with others which cross program lines.

   For example, a ministry may have a highly decentralized structure, organized by regional offices which administer all programs and services to all client groups, coupled with a central office structure of coordinating groups organized by program or client group.

Choices about organizational structure are crucial, in that they help to clarify *roles* and *responsibilities*. But organizational structures only begin to describe *relationships*. Defining distinct roles by drawing boxes in an organizational chart inherently creates isolation, not integration. Formal, deliberate attention, therefore, needs to be paid to how individuals will interact within the structure. A reorganization is not complete without considering, determining, and communicating:

- coordination and integration mechanisms
- management processes (e.g. planning, reporting, human resources planning, performance appraisal, etc.)
- communication flows

Successful implementation of a reorganization hinges on attention to these and other factors, described in Chapter 4.

4. Implementing Reorganization

An effective large-scale reorganization results from what is implemented, not from what is written in plans or decided in boardrooms.

Integrating Mechanisms

As mentioned earlier, the decisions on organization structure are only the beginning of a reorganization. Equally important is the establishment of complementary coordination, integration, and communications mechanisms.

The types of integration needs that may arise can be illustrated by the following examples:

- One area in the ministry may require information collected and/or stored by another.
- Signals indicating a problem in one area may be generated in another area.
- Appropriate policy recommendations may require the collective efforts of more than one area.
- Corporate planning may require the participation of all divisions.

There are a number of considerations which should be addressed to enhance integration. The following are some examples:

- *Committees:* The ministry's committee structure may include senior and divisional management committees, resource management committees, program planning committees, etc. Committees are usually appropriate where frequently recurring or ongoing issues require collaboration. It is important to establish clear purposes, terms of reference, meeting schedules, etc.

- *Task Forces:* These time-limited groups normally tackle a specific problem or issue, and usually include representatives of all the relevant divisions or branches. Again, clear mandates, terms of reference, completion dates, and resource limits are important.

- *Integrating Branches or Divisions:* Units are sometimes established to assume responsibility for ensuring coordination (e.g. policy and planning, administration, etc.)

- *Management Processes:* Planning, reporting and human resources

management processes are essential to ensure the appropriate interaction of staff in carrying out all management functions. (The other booklets in this series describe these processes in detail).

- *Technology:* The hardware and software requirements for information processing and communications (e.g. data networks, telecommunications equipment, etc.) should be explored and defined.

The advantages and disadvantages of each type of integrating mechanism should be weighed, in terms of cost, time investment, motivation of staff, and likely impact on decision-making.

Implementation Manager

Because of the importance of the reorganization, implementation should be made the responsibility of an Implementation Manager who has sufficient time and authority to achieve the desired results. The Implementation Manager should be responsible for:

- preparing an implementation plan, in consultation with senior ministry managers;
- staging and effecting a smooth transition to the new or modified organization structure;
- ensuring that the implementation plan is adhered to, including coordinating the physical, personnel, and financial changes necessary.
- identifying, for resolution by senior managers, any inconsistencies or conflicts with the original intent of the reorganization decisions.

In terms of timing, the Implementation Manager should be designated as early as possible in the reorganization process so as to benefit from first-hand knowledge of the senior managers' deliberations.

Communications Strategy

One of the first issues to be addressed in implementing a reorganization is how and to whom changes are to be communicated. A reorganization creates instability during the period of transition. To counteract this effect, a communications strategy should be worked out to explain the changes to staff and affected external bodies and clients. It may be appropriate to hold a number of communications sessions with various groups concerned, for the purpose of reporting on the progress being made and gathering feedback on problems and issues.

Logistics

There are many logistical issues to be dealt with in implementing a reorganization:

- obtaining approvals for the reorganization from central agencies;
- redrafting job descriptions and assessing classification levels;
- reallocating budgets and adjusting financial reporting systems and estimates;
- relocating groups, renovating offices, transferring telephone numbers, acquiring supplies and furniture;
- altering administrative approvals and authorities.

People

As well as making certain technical adjustments, an implementation strategy should attend to the needs and attitudes of individuals in the ministry. For example:

- Motivational factors and other components of personnel management may have to be reconsidered in the context of the new or modified structure. Continuing staff commitment will be crucial to the effectiveness of the reorganization.
- Staff may no longer have the requisite knowledge or skills. Training or orientation programs may be necessary. Whenever surplus employees are identified, efforts should be made to retrain them or place them in other suitable positions, in keeping with the appropriate personnel policies.
- Remuneration and appraisal systems may need to be reviewed. Adjustments may have to be made to accommodate new positions or to maintain equity throughout the ministry.

Commitment to Reassessment and Periodic Evaluation

Senior managers should make a commitment to reassess, periodically, the new organization structure. Reviews should identify those recommendations that have not yet been implemented, assess the effectiveness of the organization structure and make recommendations for improvements as appropriate. Such reviews may eventually lead to a re-examination of the conditions for reorganizing and replication of the design criteria — in effect, a renewal of the reorganization cycle.

Effective reorganization takes time, energy, sensitivity and know-how, but is an important means of enabling senior managers to adjust to changes in the government environment.

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